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COUNTY OF MERCED
SINGLE AUDIT REPORTS
(OMB CIRCULAR A-133)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

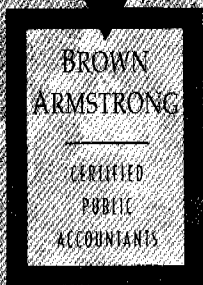
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**COUNTY OF MERCED
SINGLE AUDIT REPORTS
(OMB CIRCULAR A-133)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

TABLE OF CONTENTS

	<u>Page</u>
 <u>Reports</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements Applicable to Each Major Program, Internal Control Over Compliance, and the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133.....	3
 <u>Financial Statements</u>	
Schedule of Expenditures of Federal Awards	5
Notes to the Schedule of Expenditures of Federal Awards.....	12
 <u>Findings and Questioned Costs</u>	
Schedule of Findings and Questioned Costs	14
Status of Prior Year Findings and Questioned Costs.....	15

REPORTS



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Board of Supervisors
of the County of Merced

Harvey J. McCown, MBA, CPA
Lynn R. Krausse, CPA, MST
Rosalva Flores, CPA
Connie M. Perez, CPA
Diana H. Branthoover, CPA
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Brooke N. DeCuir, CPA
Kenneth J. Witham, CPA
Clint W. Baird, CPA
Jose Garcia, CPA
Adrian Rich, CPA
Lance Larralde, CPA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Merced (the County), California, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

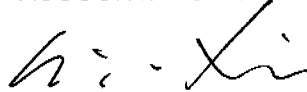
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

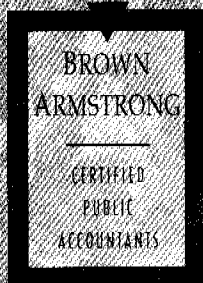
We noted certain matters that we reported to management of the County in a separate letter dated January 19, 2009

This report is intended solely for the information and use of management, Board of Supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION



Bakersfield, California
January 19, 2009



BROWN ARMSTRONG
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER
COMPLIANCE, AND THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Board of Supervisors
of the County of Merced

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Compliance

We have audited the compliance of the County of Merced (the County), California, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated January 19, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management, Board of Supervisors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION



Bakersfield, California
January 19, 2009

FINANCIAL STATEMENTS

COUNTY OF MERCED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR Passthrough Grantor Program Title	Federal C.F.D.A. Number	Contract Or Program Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through California Department of Food and Agriculture			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-0407	\$ 19,276
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-0083	12,583
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-0468	56,820
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-0831	9,482
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-0554	10,723
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-0733	4,432
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-0503	3,818
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-0271	18,946
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-0131	79,704
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-0440	3,437
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-0217	19,973
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-0636	43,619
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-0290	1,978
			<hr/>
			284,791
Inspection Grading and Standardization	10.162	06-0248	2,388
Inspection Grading and Standardization	10.162	07-0096	4,985
			<hr/>
			7,373
Passed Through California Department of Education			
School Breakfast Program	10.553	6315	133,149
Passed Through California Department of Social Services			
State Administrative Matching Grants for Food Stamp Program	10.561	Merced (County 24)	2,867,413
State Administrative Matching Grants for Food Stamp Program	10.561	Merced (County 24)	18,273
			<hr/>
			2,885,686
Food Stamps	10.551	Merced (County 24)	40,980,188
Total Food Stamp Cluster			<hr/>
			43,865,874
Passed Through California Department of Aging			
Special Program for the Aging - Title III/VII, Senior Farmers Market	10.576	AP-0708-31	5,000
Passed Through California Department of Forestry and Fire Protection			
Cooperative Forestry Assistance	10.664	7FG60125	25,140
			<hr/>
<i>Total U.S. Department of Agriculture</i>			<hr/>
			44,321,327
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Direct Program			
Economic Adjustment - Program Income Loans	11.307	Program Income	265,600
			<hr/>
<i>Total U.S. Department of Commerce</i>			<hr/>
			265,600

(Continued)

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

COUNTY OF MERCED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR Passthrough Grantor Program Title	Federal C.F.D.A. Number	Contract Or Program Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Programs			
Supportive Housing Program	14.235	CA5492	106,438
Passed Through California Department of Housing and Community Development			
Community Development Block Grants/State's Program	14.228	05-STBG-1409	332,885
Community Development Block Grants/State's Program	14.228	05-EDBG-2201	567,047
Community Development Block Grants/State's Program	14.228	Program Income	245,618
			1,145,550
Passed Through California Department of Housing and Community Development			
HOME Investment Partnerships Program	14.239	04-HOME-0742	456,416
HOME Investment Partnerships Program	14.239	Program Income	226,037
			682,453
<i>Total U.S. Department of Housing and Urban Development</i>			1,934,441
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Programs			
National Drug Control Policy	16.XXX	14PVCP501	8,934
DEA Cannabis Eradication	16.XXX	2007-26	45,000
Southwest Border Prosecution Initiative	16.XXX	Merced (County 24)	15,701
Public Safety Partnership and Community Policing Grants	16.710	2005-CKWX-0398	32,965
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-1121	6,136
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX-0960	31,456
			140,192
Passed Through Governor's Office of Emergency Services			
Crime Victim Assistance	16.575	VW07250240	91,812
Crime Victim Assistance	16.575	AT 07 04 0240	192,512
			284,324
Edward Byrne Memorial Formula Grant Program	16.579	DC07180240	203,563
Violence Against Women Formula Grants	16.588	PU06050240	13,953
Violence Against Women Formula Grants	16.588	PU07050240	48,281
			62,234
Anti-Gang Initiative	16.744	AG06010240	142,729
<i>Total U.S. Department of Justice</i>			833,042

(Continued)

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

COUNTY OF MERCED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR Passthrough Grantor Program Title	Federal C.F.D.A. Number	Contract Or Program Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF LABOR</u>			
Direct Programs			
Community Based Job Training Grants	17.269	CB-15963-07-60-A-6	490,817
Passed Through California Employment Development Department Employment Service	17.207	L659852	17,913
WIA Adult Program	17.258	R760332	240,900
WIA Adult Program	17.258	R865468	1,152,376
			1,393,276
Passed Through Stanislaus County WIA Adult Program	17.258	MOA 07-08-E	56,503
Passed Through California Employment Development Department WIA Youth Activities	17.259	R760332	592,498
WIA Youth Activities	17.259	R865468	755,957
			1,348,455
WIA - Dislocated Worker	17.260	R692484	44,858
WIA - Dislocated Worker	17.260	R760332	265,138
WIA - Dislocated Worker	17.260	R865468	1,088,750
			1,398,746
Passed Through Madera County WIA - Dislocated Worker	17.260	2006175	87,892
Passed Through San Joaquin County WIA - Dislocated Worker	17.260	2007160	37,932
Total WIA Cluster			4,322,804
Passed Through California Department of Aging Senior Community Service Employment Program	17.235	TV-0708-31	104,677
Total U.S. Department of Labor			4,936,211
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Programs			
Airport Improvement Program	20.106	DTFA08-06-C-31698	126,056
Airport Improvement Program	20.106	DTFA08-06-C-31699	93,912
			219,968
Federal Transit Formula Grants	20.507	CA-90-Y275-00	84,389
Federal Transit Formula Grants	20.507	CA-90-Y425-00	55,004
Federal Transit Formula Grants	20.507	CA-95-X017-00	1,780,941
Federal Transit Formula Grants	20.507	CA-90-Y522	2,349,418
			4,269,752

(Continued)

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

COUNTY OF MERCED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR Passthrough Grantor Program Title	Federal C.F.D.A. Number	Contract Or Program Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION (Continued)</u>			
Passed Through California Department of Transportation			
Highway Planning and Construction	20.205	10-956615	130
Highway Planning and Construction	20.205	10-956001	765,340
Highway Planning and Construction	20.205	10-955737	2,123
Highway Planning and Construction	20.205	10-956184	21
Highway Planning and Construction	20.205	10-4A0701	1,793,731
			<u>2,561,345</u>
Formula Grants For other than Urbanized Areas	20.509	CA-647144	362,571
Pass Through San Diego County			
State and Community Highway Safety	20.600	2006239	25,839
<i>Total U.S. Department of Transportation</i>			<u>7,439,475</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed Through California Department of Rehabilitation			
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	26832	53,345
Passed Through Tulare County			
Safe and Drug-Free Schools and Communities_State Grants	84.186	2002220	3,000
<i>Total U.S. Department of Education</i>			<u>56,345</u>
<u>U. S. ELECTION ASSISTANCE COMMISSION</u>			
Pass Through California Secretary of State			
Help America Vote Act Requirements Payments	90.401	056R030124	7,645
<i>Total U.S. Election Assistance Commission</i>			<u>7,645</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through California Department of Aging			
Special Programs for the Aging - Title VII, Chapter 3 - Programs			
For Prevention of Elder Abuse, Neglect, and Exploitation	93.041	AP-0708-31	2,912
Special Programs for the Aging - Title VII, Chapter 2 - Long Term			
Care Ombudsman Services for Older Individuals	93.042	AP-0708-31	6,875
Special Programs for the Aging - Title III, Part D - Disease			
Prevention and Health Promotion Services	93.043	AP-0708-31	17,599
Special Programs for the Aging - Title III, Part B - Grants and			
Supportive Services and Senior Centers	93.044	AP-0708-31	219,703
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	AP-0708-31	365,151
<i>Total Aging Cluster</i>			612,240

(Continued)

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

COUNTY OF MERCED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR Passthrough Grantor Program Title	Federal C.F.D.A. Number	Contract Or Program Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u>			
National Family Caregiver Support	93.052	AP-0708-31	100,020
Nutrition Services Incentive Program	93.053	AP-0708-31	49,206
Medical Assistance Program	93.778	2004211	857,000
Centers For Medicare and Medicaid Services	93.779	HI - 0708-31	58,221
Passed Through California Department of Health Services			
Public Health Emergency Preparedness	93.069	EPO CDC 07-24	152,018
Public Health Emergency Preparedness	93.069	EPO HPP 07-24	208,712
			360,730
Passed Through California Department of Mental Health			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	Merced (County 24)	84,010
Passed Through California Department of Child Support Services			
Child Support Enforcement	93.563	Merced (County 24)	5,508,834
Passed Through California Department of Social Services			
Promoting Safe and Stable Families	93.556	Merced (County 24)	289,245
Temporary Assistance for Needy Families	93.558	Merced (County 24)	369,357
Temporary Assistance for Needy Families	93.558	Merced (County 24)	127,462
Temporary Assistance for Needy Families	93.558	Merced (County 24)	3,199,169
Temporary Assistance for Needy Families	93.558	Merced (County 24)	3,412,509
Temporary Assistance for Needy Families	93.558	Merced (County 24)	1,201,795
Temporary Assistance for Needy Families	93.558	Merced (County 24)	49,178
Temporary Assistance for Needy Families	93.558	Merced (County 24)	2,257,627
Temporary Assistance for Needy Families	93.558	Merced (County 24)	12,538,759
Temporary Assistance for Needy Families	93.558	Merced (County 24)	8,827
Temporary Assistance for Needy Families	93.558	Merced (County 24)	52
Temporary Assistance for Needy Families	93.558	Merced (County 24)	31,940,873
Temporary Assistance for Needy Families	93.558	Merced (County 24)	115,395
Temporary Assistance for Needy Families	93.558	Merced (County 24)	9,386,736
			64,607,739
Refugee and Entrant Assistance - State Administered Programs	93.566	Merced (County 24)	278,400
Refugee and Entrant Assistance - State Administered Programs	93.566	Merced (County 24)	1,889
			280,289
Community - Based Child Abuse Prevention Grants	93.590	Merced (County 24)	14,512
Child Welfare Services - State Grants	93.645	Merced (County 24)	245,812

(Continued)

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

COUNTY OF MERCED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR Passthrough Grantor Program Title	Federal C.F.D.A. Number	Contract Or Program Number	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
Foster Care - Title IV-E	93.658	Merced (County 24)	1,397,477
Foster Care - Title IV-E	93.658	Merced (County 24)	2,684,906
Foster Care - Title IV-E	93.658	Merced (County 24)	66,937
Foster Care - Title IV-E	93.658	Merced (County 24)	35,137
Foster Care - Title IV-E	93.658	Merced (County 24)	6,311
Foster Care - Title IV-E	93.658	Merced (County 24)	187,907
Foster Care - Title IV-E	93.658	Merced (County 24)	3,976
Foster Care - Title IV-E	93.658	Merced (County 24)	60,786
Foster Care - Title IV-E	93.658	Merced (County 24)	2,687,202
			7,130,639
Adoption Assistance	93.659	Merced (County 24)	56,273
Adoption Assistance	93.659	Merced (County 24)	288,237
Adoption Assistance	93.659	Merced (County 24)	1,276,633
			1,621,143
Social Services Block Grant	93.667	Merced (County 24)	512,078
Chafee Foster Care Independent Living	93.674	Merced (County 24)	142,518
Passed Through California Department of Health Services State Children's Insurance Program	93.767	Merced (County 24)	513,902
Maternal and Child Health Services Block Grant	93.994	2007-24	261,409
Maternal and Child Health Services Block Grant	93.994	2007-24	367,483
			628,892
Passed Through California Department of Mental Health Block Grants For Community Mental Health Services	93.958	Merced (County 24)	706,527
Passed Through CRP Incorporated Block Grants For Community Mental Health Services	93.958	Merced (County 24)	500
Passed Through California Department of Alcohol and Drug Programs Block Grants for Prevention and Treatment of Substance Abuse	93.959	NNA24	621,062
Block Grants for Prevention and Treatment of Substance Abuse	93.959	NNA24	890,246
			1,511,308
Passed Through California Department of Social Services Medical Assistance Program	93.778	Merced (County 24)	354,813
Medical Assistance Program	93.778	Merced (County 24)	528,740
Medical Assistance Program	93.778	Merced (County 24)	57,594
Medical Assistance Program	93.778	Merced (County 24)	951
Medical Assistance Program	93.778	Merced (County 24)	1,114,169
Medical Assistance Program	93.778	Merced (County 24)	10,795,674
Medical Assistance Program	93.778	Merced (County 24)	28,700
Medical Assistance Program	93.778	Merced (County 24)	761,395
			13,642,036

(Continued)

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

COUNTY OF MERCED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR Passthrough Grantor Program Title	Federal C.F.D.A. Number	Contract Or Program Number	Total Federal Expenditures
Passed Through California Department of Health Services			
Medical Assistance Program	93.778	Merced (County 24)	264,102
Medical Assistance Program	93.778	05-45149	24,431
Medical Assistance Program	93.778	Merced (County 24)	<u>81,112</u>
			369,645
HIV Emergency Relief Project Grants	93.914	06-55759	55,449
Passed Through California Department of Mental Health			
Medical Assistance Program	93.778	Merced (County 24)	<u>371,988</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>100,274,483</u>
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through State Governor's Office of Homeland Security			
State Homeland Security Program	97.073	Merced (County 24)	83,186
State Homeland Security Program	97.073	Merced (County 24)	297,858
State Homeland Security Program	97.073	Merced (County 24)	<u>38,423</u>
			419,467
Law Enforcement Terrorism Prevention Program	97.074	Merced (County 24)	9,593
Law Enforcement Terrorism Prevention Program	97.074	Merced (County 24)	178,247
Law Enforcement Terrorism Prevention Program	97.074	Merced (County 24)	<u>1,520</u>
			<u>189,360</u>
<i>Total U.S. Department of Homeland Security</i>			<u>608,827</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 160,677,396</u></u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

COUNTY OF MERCED
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1 – GENERAL

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of all federal financial assistance programs of the County of Merced, California (County). The County reporting entity is defined in Note 1 to the County's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included in the SEFA.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA is presented using the cash basis of accounting, while the basic financial statements were presented using the accrual basis of accounting for the government-wide and proprietary fund statements and the modified accrual basis of accounting for the governmental fund statements.

NOTE 3 – AMOUNT PROVIDED TO SUBRECIPIENTS

The County has provided federal awards to various organizations. The amounts provided to subrecipients from each Federal program are summarized as follows:

FEDERAL GRANTOR OR Pass Through Grantor	Federal Program	Federal C.F.D.A. #	Subrecipient	Contract or Program Number	Amount Provided to Subrecipients
State Employment Development Department	WIA Youth Activities	17.259	MCOE	R760332 / R865488	\$ 524,092
State Employment Development Department	WIA Youth Activities	17.259	MCOE	R760332 / R865488	449,828
State Employment Development Department	WIA Youth Activities	17.259	MCOE	R760332	49,216
U.S. Department of Labor	Community Base Job Training Grants	17.269	Madera County	CB-15963-07-60-A-6	32,691
U.S. Department of Labor	Community Base Job Training Grants	17.269	Stanislaus County	CB-15963-07-60-A-6	58,646
Governor's Office of Homeland Security	Homeland Security Program	97.073	City of Atwater	20050015	3,300
Governor's Office of Homeland Security	Homeland Security Program	97.073	City of Livingston	20050015	15,589
Governor's Office of Homeland Security	Homeland Security Program	97.073	City of Gustine	20050015	379
Governor's Office of Homeland Security	Homeland Security Program	97.073	City of Merced	20050015	17,836
Governor's Office of Homeland Security	Homeland Security Program	97.073	City of Los Banos	20050015	33,303
Governor's Office of Homeland Security	Law Enforcement Terrorism Prevention	97.074	City of Los Banos Police Dept.	2006-0071	165,753
Governor's Office of Homeland Security	Homeland Security Program	97.073	City of Merced	2007-0008	1,500
					<u>\$ 1,352,133</u>

NOTE 4 – CALIFORNIA DEPARTMENT OF AGING GRANT PROGRAMS

The Schedule of Expenditures of Federal Awards (SEFA) is normally a presentation of Federal awards expended. However, the terms and conditions of agency contracts with California Department of Aging require agencies to display state-funded expenditures discretely along with the related federal expenditures in the SEFA. The following is a listing of the grant programs administered by California Department of Aging.

LOCAL PROGRAM TITLE	Program	CFDA#	CONTRACT OR PROGRAM NUMBER	FEDERAL EXPENDITURE	STATE EXPENDITURE
HICAP State Contract (07/08)	HICAP	93.779	HI-0708-31	\$ 58,221	\$ 164,498
Title V State Contract (07/08)	Dept. of Workforce Investment	17.235	TV-0708-31	104,677	36,709
Title III/VII State Contract (07/08)	Nutrition Services	93.045	AP-0708-31	365,151	49,965
Title III/VII State Contract (07/08)	NSIP	93.053	AP-0708-31	49,206	-
Title III/VII State Contract (07/08)	Family Caregiver Support III E	93.052	AP-0708-31	100,020	-
Title III/VII State Contract (07/08)	Elder Abuse Title VII	93.041	AP-0708-31	2,912	144
Title III/VII State Contract (07/08)	Ombudsman Title VII	93.042	AP-0708-31	6,875	1,443
Title III/VII State Contract (07/08)	Disease Prev. & Promo. Svcs Title IIID	93.043	AP-0708-31	17,599	588
Title III/VII State Contract (07/08)	Supp Svcs & Sr. Ctrs Title IIIB	93.044	AP-0708-31	219,703	35,808
Title III/VII State Contract (07/08)	Brown Bag	State only	AP-0708-31	-	23,442
Title III/VII State Contract (07/08)	Sr Farmers Market	10.576	AP-0708-31	5,000	-
Title III/VII State Contract (07/08)	Senior Companion	State only	AP-0708-31	-	23,944
Title III/VII State Contract (07/08)	Linkages	State only	AP-0708-31	-	252,967
Title III/VII State Contract (07/08)	Alzheimers Day Care	State only	AP-0708-31	-	80,000
Title III/VII State Contract (07/08)	Community Base Service Program (CBSP)	State only	AP-0708-31	-	17,029
Title III/VII State Contract (07/08)	Ombudsman Volunteer Recruitment Initiative	State only	AP-0708-31	-	5,017
				<u>\$ 929,364</u>	<u>\$ 691,554</u>

NOTE 5 – LOANS OUTSTANDING

The County participates in certain federal award programs that sponsor revolving loan programs, which are administered by the County. These programs maintain servicing and trust arrangements with the County to collect loan repayments. The funds are returned to the programs upon repayment of the principal and interest. The federal government has imposed certain continuing compliance requirements with respect to the loans rendered under the programs. In accordance with Subpart B, Section 204 of the Office of Management and Budget Circular A-133, the County has reported the outstanding balance of loans from previous years that have continuing compliance requirements as of June 30, 2008 along with the value of total outstanding and new loans made during the current year.

The following is a summary of the loan programs maintained by the County and their balances at June 30, 2008:

	CFDA Number	June 30, 2008 Amount Outstanding	June 30, 2008 Prior Year Loans With Continuing Compliance Requirements	New Loans Issued During FYE 6/30/08
Economic Adjustment	11.307	\$ 792,877	\$ 165,592	\$ 265,600
Community Development Block Grants/State's Programs	14.228	1,649,541	745,147	309,922
HOME Investment Partnership Program	14.239	4,369,173	3,780,523	475,602
		<u>\$ 6,811,591</u>	<u>\$ 4,691,262</u>	<u>\$ 1,051,124</u>

FINDINGS AND QUESTIONED COSTS

**COUNTY OF MERCED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.551/10.561	Food Stamps
93.563	Child Support
93.778	Medical Assistance Program

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

COUNTY OF MERCED
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR JUNE 30, 2008

None.